

Message Text

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ACTION PM-03

INFO OCT-01 EUR-12 ISO-00 CIAE-00 H-02 INR-07 L-02 NSAE-00

NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 OES-03 COME-00

AID-05 EB-07 CIEP-01 TRSE-00 STR-01 OMB-01 CEA-01

XMB-02 /078 W

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P R 111621Z MAR 75

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC PRIORITY 5437

SECDEF WASHDC//ISA//DSAA//

INFO CNO WASHDC //OP-63//

C O N F I D E N T I A L THE HAGUE 1294

E.O. 11652: GDS

TAGS: MASS

SUBJ: P-3C (ORION) OFFSET NEGOTIATIONS

1. RNLN IS IN FINAL STAGES OF SELECTING REPLACEMENT LRMPA TO REPLACE OLD/OBSOLETE P-2V NEPTUNE. THE NETHERLANDS DEFENSE NOTE 1974 (WHITE PAPER) CALLS FOR PROCUREMENT OF 13 AIRCRAFT OVER NEXT FIVE YEARS. PRIMARY CONTENDERS ARE LOCKHEED P-3C (ORION), FRENCH ATLANTIQUE, MK II, AND BRITISH NIMROD.

2. FROM CLOSE ASSOCIATIONS WITH HIGH LEVEL RNLN OFFICERS BY MEMBERS OF COUNTRY TEAM, IT IS APPARENT THAT RNLN HAVE SELECTED P-3C (ORION) AS THE CANDIDATE FOR REPLACING P-2V, HOWEVER, PROCUREMENT IS DEPENDENT UPON AGREEMENT BY MINISTRY OF ECONOMIC AFFAIRS (MOEA) PRIOR TO FINAL APPROVAL BY MINISTRY OF DEFENSE (MOD). IT IS NOTED THAT DEFENSE BUDGET PASSED SECOND CHAMBER ON MAR 4, 1975.

3. LOCKHEED REPS IN NEGOTIATIONS WITH MOEA HAVE OFFERED PROPOSAL OF 25 PERCENT OFFSET. MOEA HAS COUNTERED WITH A REQUIREMENT OF 50 PERCENT PLUS REQUEST THAT USG
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SHOW INDICATIONS OF AGREEMENT TO ASSIST LOCKHEED TO MEET

THE MINIMUM GOAL.

4. IT IS THE OPINION OF THE COUNTRY TEAM THAT USG SUPPORT COULD BE THE KEY FACTOR IN REACHING FINAL AGREEMENT, ALTHOUGH GON ACCEPTANCE OF A SIGNIFICANT REDUCTION IN TOTAL OFFSET IS ALSO MANDATORY. IT IS BELIEVED THAT LOCKHEED MAY ACQUIESCE BY AS MUCH AS AN ADDITIONAL 5 PERCENT TO A TOTAL OF NO MORE THAN THIRTY PERCENT.

5. US GOVERNMENT SUPPORT: PRESENTLY BEING CONSIDERED BY LOCKHEED AS A PART OF THEIR OFFSET PROPOSAL IS TRANSFER OF A PART OF THE P-3C AIRFRAME STRUCTURE TO FOKKER, AS WELL AS TRANSFER OF COMPONENTS OF THE P-3C NAVIGATION SYSTEM TO PHILIPS. IF THIS PROPOSAL IS ACCEPTED BY DUTCH INDUSTRY, THEN DUTCH WOULD BE SOLE SOURCE OF SUCH ITEMS FOR ALL P-3C PRODUCTION. US GOVERNMENT SUPPORT REQUIRED ENTAILS WAIVER OF "BUY AMERICAN ACT" AND DEVIATION FROM ASPR REQUIRING LOCKHEED TO GO OUT FOR COMPETITIVE SUB-CONTRACTS ON ANNUAL PROCUREMENTS FOR ALL PARTS PLACED IN THE NETHERLANDS. (B) ADDITIONALLY, LOCKHEED MAY REQUIRE ASSISTANCE IN ACHIEVING PERCENTAGE OF OFFSET DUE TO QUESTIONABLE ABILITY OF NETHERLANDS INDUSTRY TO BE COMPETITIVE DUE TO LOWER PRODUCTIVITY AND RAPIDLY RISING INFLATIONARY TRENDS, COUPLED WITH REDUCTION IN VALUE OF DOLLAR IN THE NETHERLANDS. TWO AREAS WHERE USG COULD BE OF HELP ARE: (1) ANY USG PROCUREMENTS OR AUTHORIZATIONS FOR NETHERLANDS ARMAMENT INDUSTRIES FOR SALES TO THIRD COUNTRIES OF ITEMS OF ORDNANCE OF WHICH THE USG HAS PROVIDED THE TECHNICAL DETAIL AT NO COST, BE PLEDGED AGAINST THE P-3C PROCUREMENT. (2) DESIGNATE FOKKER AS A P-3 OVERHAUL/REPAIR FACILITY FOR USN AS WELL AS P-3 AIRCRAFT OF OTHER EUROPEAN NATIONS. TO MAKE THIS VIABLE ELEMENT OF OFFSET US WOULD HAVE TO ASSURE GON OF CERTAIN MINIMUM LEVEL OF WORK THEY WOULD BE WILLING TO PLAN INTO FOKKER FACILITY OF ANNUAL BASIS OVER NEXT SEVERAL YEARS UNTIL RNLN P-3 WOULD BE INDUCTED FOR OVERHAUL. THIS WOULD HELP COVER LOSS OF WORK WITH PHASE OUT OF SP-2H AIRCRAFT WHICH ARE PRESENTLY BEING OVERHAULED BY FOKKER. (FYI: OFFSET FOR FOKKER IS ONE OF THE MAJOR FACTORS WHICH MOEA IS TRYING TO OBTAIN IN THE P-3C OFFSET PACKAGE).

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6. NEXT MEETING BETWEEN MOEA AND LOCKHEED SCHEDULED WEEK OF MARCH 12. WASHINGTON COMMENTS ON ABILITY OF USG TO SUPPORT LOCKHEED IN OFFSET COMMITMENTS URGENTLY REQUIRED PRIOR TO THAT TIME.

7. AMBASSADOR GOULD HAS REVIEWED THIS MESSAGE AND AUTHORIZED ITS TRANSMISSION TO WASHINGTON.

TANGUY

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Message Attributes

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